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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1998-99)**

(Tenth Legislative Assembly)

**SEVENTH REPORT
ON**

THE AUDIT REVIEW CONTAINED IN THE REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE
YEAR ENDED 31ST MARCH, 1997 (COMMERCIAL) PERTAINING TO
THE ANDHRA PRADESH STATE WAREHOUSING CORPORATION
LIMITED AND ACTION TAKEN BY GOVERNMENT ON THE
RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS CONTAINED IN ITS 20TH REPORT OF
IX LEGISLATIVE ASSEMBLY.

(Presented to the Legislature on 23-3-1999)

Andhra Pradesh Legislature Secretariat
Public Gardens, Hyderabad - 500 486.

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(Presented to the Legislature on 23-3-1999)

(i)

COMMITTEE ON PUBLIC UNDERTAKINGS

(1998-99)

Constituted on 29-4-1998

Chairman :

1. Sri Karnam Ramachandra Rao

Members :

2. Sri P. Kanakasundara Rao
3. Sri P. Srinivasa Reddy (Upto 30-9-1998)
4. Sri N. Anjaneyulu (Upto 2-10-1998)
5. Sri D. Shiva Rama Raju (From 28-11-1998)
6. Sri M. Vijayapal Reddy (From 28-11-1998)
7. Sri G. Appala Suryanarayana
8. Sri G.V. Srinath Reddy
9. Sri N. Moola Reddy
10. Sri K. Atchannaidu
11. Sri T.D. Nagaraja Reddy
12. Sri N. Narasimha Reddy
13. Sri K. Lakshmaiah Naidu
14. Smt. A. Annapurna Devi
15. Sri Vanka Satyanarayana
16. Sri R. Venkat Reddy
17. Sri Mohd. Amanullah Khan

Special Invitees :

1. Sri R. Gandhi
2. Sri P. Rambhupal Reddy
3. Sri K. Rambhupal Reddy
4. Sri A.J.V. Butchi Maheswara Rao
5. Sri E. Dayakar Rao
6. Sri P. Ramasubba Reddy
7. Sri M.A. Gafoor
8. Sri M. Mallesham
9. Sri D. Vasudeva Rao
10. Dr. D. Siva Ram

11. Sri D.K. Bharathsimha Reddy
12. Sri C. Muthyam Reddy
13. Sri Parvatha Subba Rao
14. Sri Thota Trrimurthulu
15. Sri D. Achuta Ramayya
16. Sri M. Seshagiri Rao

Legislature Secretariat :

Sri C. Venkatesan, Special Secretary
Sri S.D. Kamalakar, Secretary
Sri B.V. Sarma, Joint Secretary
Sri B. Padma Reddy, Asst. Secretary
Sri K.A. Narsimha Raju,
Section Officer

Accountant General's Office :

Sri A. Sathya Vardhana

Sri B. Narayana

Sri K.V.R.K. Prasad

Sri N. Anand Babu

Accountant General
(Audit) - II

Sr. Dy. Accountant
Genral (Comml.)

Sr. Audit Officer

Asst. Audit Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1998-99) having been authorised by the committee at its meeting held on 16.3.1999, present this Report on behalf of the Committee on Andhra Pradesh State Warehousing Corporation.

The Committee held two sittings to examine and consider the explanatory notes on the audit paras.

The Committee wishes to express its thanks to the Principal Secretary to Government, Agriculture and Co-operation, the Managing Director and other officials of Andhra Pradesh State Warehousing Corporation for the co-operation they have extended and for placing the required information and material before the Committee.

The Committee places on record its appreciation of the assistance rendered to the Committee by the Accountant General (Audit).II, Andhra Pradesh, the Sr. Dy. Accountant General (Commercial) and other officers and Staff of Accountant General's Office and also the Special Secretary to Legislature, other officers and staff of Legislature Secretariat in the examination of the general working and audit paras relating to Andhra Pradesh State Warehousing Corporation and in the preparation of this Report.

Hyderabad,
Date : 16.3.1999

KARNAM RAMACHANDRA RAO
Chairman,
Committee on Public Undertakings

(v)

RECOMMENDATIONS ON ANDHRA PRADESH STATE WAREHOUSING CORPORATION LIMITED

REVIEW 1996-97

PARA 3.E.4

ORGANISATIONAL SET-UP :

The Andhra Pradesh State Warehousing Corporation was deemed to have come under Warehousing Corporations Act, (Central Act) w.e.f. 19 December 1962, when the State Act under which it was initially established (August, 1958) was repealed.

The Management of the Corporation was vested in the Board of Directors consisting of 10 Directors; Five of them including Chairman and Managing Director are nominated by the State Government and the remaining five Directors are nominated by the Central Government on behalf of the Central Warehousing Corporation (CWC).

As on 31st March 1997 there were ten Directors including Chairman and Managing Director on the Board. During the period from October, 1989 to August, 1993 the Board did not exist due to delay in the nomination of Directors to the Board by both the State and Central Governments. The Managing Director who was the Chief Executive carried on the business of the Corporation and in emergent cases the Chairman exercised the powers of the Board. This resulted in delaying the approval of annual accounts of the Corporation for the years 1989-90 to 1995-96. The post of the Chief Executive was held by 6 incumbents during the period of five years ended 1996-97 with the tenure ranging from two to eighteen months. This resulted in lack of continuity, control, consistent approach to the Management.

Rec.No.1 : *The Committee recommends that the Chief Executive of the Corporation (i.e. Vice Chairman and Managing Director) should be continued atleast for 3 years, to enable him to have control and continuity over the affairs of the Corporation.*

3. E.7.1 Creation and Utilisation of Storage Capacity :

OPERATIONAL PERFORMANCE

(A) Utilisation of the Godown Capacity

	1992-93	1993-94	1994-95	1995-96	1996-97
(i) Total Capacity	5.67	6.49	6.22	5.93	5.80
(ii) Average capacity utilised	3.97	5.57	4.95	4.48	3.87
(iii) Average utilisation	70	86	79	75	67
(iv) Total number of godowns	79	72	81	75	75

It could be observed from the above that the utilisation of storage capacity started declining from 1994-95 onwards. The MIS in vogue did not provide for reporting utilisation of storage capacity separately for owned and hired godowns. The reasons for this decline was mainly due to increase in establishment expenditure, fall in godown reservation from traditional depositors and consequential under-utilisation of storage capacity.

The Corporation in its explanatory notes stated that efforts were made to utilise the full capacity of the godowns.

3.E. 7.2 Expansion of Storage Capacity :

The total owned capacity at the end of 1995-96 stood at 4.14 lakh tonnes. During this period the average storage capacity remained vacant (owned and hired) ranged from 0.92 to 1.70 lakh tonnes.

Rec.No.2 : *The Committee strongly recommends that all efforts should be made to utilise the godown capacities (owned and hired) at various places to optimum extent.*

3.E. 7.3 Meagre Utilisation of Storage Space by Farmers :

The Corporation allows a rebate of 75% in storage tariff for small and marginal farmers and earmarks 10% space for storage of Agriculture produce belonging to these farmers. The Corporation is not maintaining any consolidated record to see whether the small and marginal farmers for whom 10% space is earmarked are actually utilising the same or not.

The Committee observed that when a test check of records of 8 out of 75 godowns covering a period of five years upto 1996-97 was carried out in Audit, it was revealed that the utilisation of godown space by farmers was nil in 6 godowns, while in two godowns the utilisation was less than 1%.

The Corporation in its explanatory notes stated that during the past two decades the Government of India is fixing the minimum support price for paddy and other agricultural products for the benefit of the farmers and procuring substantial quantities of rice stocks through their agencies like FCI, A.P. Markfed, NAFED, TRIFED, CCI, etc., to maintain the minimum support price in the market. In the light of the above, the agriculturists are not retaining their produce for long time and not coming forward to utilise warehouse services of SWC.

Rec.No.3 : When other farmers are coming forward to keep their stocks with the Corporation, it is not tenable to say that small farmers are not utilising the capacity of the godown which was earmarked for them. The Committee observes that proper advertisement and non-availability of information to the small farmers appear to be the reasons for non-utilisation of the space earmarked for them.

Hence, the Committee strongly recommends that the Corporation shall take all necessary steps, viz., organizing meetings with farmers by the godown managers and by using other means of advertisements, to enlighten the farmers regarding the availability of benefits to them. If all the efforts made by the Corporation are failed the space allotted to the small farmers be allotted to other farmers, public undertakings or semi Government organisations.

3. E.7.4 Unnecessary Hiring of Private Godown :

During the period from April, 1995 to August, 1996, the Corporation hired private godown at Kurnool with a capacity of 1702 tonnes on payment of a total rent of Rs. 1.47 lakhs. During the period own storage capacity ranged from 2067 to 11200 tonnes was vacant at the same place. The hired space was vacated during September, 1996 i.e., after 18 months from the receipt of instructions (March, 1995) from Headquarters office to vacate the same.

Though the decline in business started from August, 1995, the Warehouse Manager continued the godown with a hope to expect more business from various institutions. Contrary to his expectations the godown was kept vacant, except for 2, 3 months, till it is vacated in September, 1996.

The Corporation informed the Committee that explanation was called for from the officer for the lapse.

Rec.No.4 : Eventhough instructions were issued by the Headquarters Office. the Officer has not taken any action to vacate the godown (for 18 months). *The Committee recommends to fix responsibility on the officer concerned and take appropriate action.*

3.E. 7.5 Hiring of Godown Space in excess of actual needs at Renigunta :

On an assurance from FCI to occupy the entire space, the Corporation hired continuously from June, 1993 till September, 1996. 20,000 tonnes of storage capacity (8 godowns each of 2500 tonnes capacity), from a private party. But, the FCI de-reserved the entire storage capacity of 20,000 tonnes w.e.f. 1.10.95 and agreed for payment of storage charges for actual stocks held for the period from October, 1995 to March, 1996, from April, 1996 the FCI reserved only 15,000 tonnes of storage capacity hired by the Corporation. But, the Corporation hired a Storage capacity of 20,000 tonnes during this period. In this transaction the FCI paid a rent of Rs. 3.88 lakhs for the period, whereas the Corporation has paid Rs. 12.83 lakhs rent to the private party which resulted in loss of rent to a tune of Rs. 8.95 lakhs. The Corporation should have taken up this issue with the FCI.

It was stated that the FCI has unilaterally decided to pay the godown rents only on the basis of utilisation during the period from 1.10.1995 to 31.3.1996. The Sr. Regional Manager, FCI has extended the space reservation for 15000 tonnes during the period from 1.4.1996 to 30.9.1996. But, the owner of the godown has not agreed for part occupation of the godown complex of 20,000 MTs, and insisted for full payment.

Rec.No.5 : The Committee feels that the Corporation should have taken up the issue with higher authorities of FCI and customer relationship could still be maintained without a loss of Rs. 8.95 lakhs. *The Committee recommends that higher authorities be approached in the matter for an amicable settlement.*

3.E.8 Storage and Transit Losses

3.E.8.2 Non Regularisation of Transit Losses :

At the instance of the FCI, the Corporation moves stocks from one godown to another at different points. The FCI is allowing transit losses upto 1% of stocks handled for transfers between Corporation godowns and CWC/FCI godowns. But, in case the stocks are moved between two godowns of the Corporation, the FCI is not allowing any transit losses. The Corporation has incurred transit loss valued at Rs. 13.11 lakhs. However, the FCI did not allow such charges and an amount of Rs. 3.28 lakhs due to inter godown movement of stocks at the instance was withheld by the FCI, from the storage charges payable by them to the Corporation. The Corporation has been requesting the FCI for allowing such transit losses including some changes in guidelines. Final reply is awaited from FCI.

The Corporation in its explanatory notes stated that the FCI is allowing transit losses upto 3% from one organisation to the other organisations's godowns. But, they are not allowing any transit loss if the stocks are moved between the two organisations's godowns. Guidelines are awaited from FCI for obtaining the write off sanctions for transit losses.

Rec.No.6 : The Committee observed that the Corporation could not succeed to secure waiver mainly due to the absence of specific terms and conditions for movement of stocks between Corporation's godowns at the instance of FCI. Non- preparation of guidelines by the Corporation even after 40 years of its formation is amazing.

The Committee strongly feels that the Corporation should prepare guidelines first for all such aspects to safeguard the interest of the Corporation.

3.E. 10 Under Insurance of Stocks :

The Stocks of Rs. 54.82 crores as on 1.5.90 in coastal area godowns of the Corporation were covered with insurance under a short term policy against the risks of flood, fire, etc. The value, of stocks declared for this purpose was revised on 24.5.90 for Rs. 57.89 crores. On 9.5.90, a cyclone hit the coastal area and the stocks valued Rs. 197.80 lakhs were damaged. On preferring the claim, the Insurance Company admitted the claim for Rs. 179.02 lakhs and disallowed the balance claim for Rs. 18.78 lakhs on the ground of under insurance.

The Corporation in its explanatory notes stated that the Corporation has requested the Insurance Company to release the remaining compensation also.

The Corporation stated that it will make every effort to insure the stocks on the same day on which date the stocks are received.

Rec.No.7 : The Committee strongly feels that the negligence shown by the officers in insuring the stocks in time and under insurance resulted in loss to the Corporation.

The Committee recommends to insure the stocks on the same day on which they were received.

Committee strongly recommends to fix the responsibility for not taking timely action to insure the stocks, and for under insurance.

3.E.11 Other Topics of Interest

3. E.11.1 Delay in Payment of Loans :

The Corporation during 1985-86 to 1990-91 drew term loans aggregating Rs. 558.81 lakhs from two Commercial Banks (Punjab National Bank and Canara Bank) carrying interest at 12.5% per annum (Subsequently increased upward) for construction of godowns. As per the terms and conditions of the loan, default in payment of loan instalments attract additional interest at 2% over and above the normal rate.

As against an aggregate amount of Rs. 1171.26 lakhs due by way of principal and interest at the end of September, 1996, an amount of Rs. 913.68 lakhs was only paid leaving a balance of Rs. 257.58 lakhs by way of principal and interest. Due to delay in arranging repayment of loan instalment/interest on due dates, the lending banks levied Rs. 20.21 lakhs by way of penal interest. Efforts were not made so far to reconcile the loan account payments made to lending Banks.

It was noticed that the Corporation repaid (December, 1994 and March, 1995) loan instalments to a tune of Rs. 50.65 lakhs to Canara Bank which were not due for repayment. Had this amount been utilised to discharge the loan carrying higher rate of interest from Punjab National Bank, the Corporation could have saved interest to a tune of Rs. 4.70 lakhs.

The Corporation in its explanatory notes while confirming the figures stated that efforts are being made to reconcile the loan account with the Banks accounts. It was also stated that the officials of the Punjab National Bank are also being requested to reduce the rate of interest on par with Canara Bank. Surplus funds were diverted to Canara Bank towards repayment of loan.

The Corporation stated that payments were made to Canara Bank. It was further stated that had the payments been made to Punjab National Bank, they might not have responded properly and hence repayment was made to Canara Bank.

Rec.No.8 : The Committee opined that the reply is unsatisfactory as interest rates of Pubjab National Bank were higher. Therefore, the Corporation should have repaid the amount to Punjab National Bank instead of to Canara Bank.

The Committee is of the view that decision to repay the amount to Canara Bank instead of to Pubjab National Bank needs to be investigated, and responsibility has to be fixed.

3.E.113 Idle Weigh Bridge at Bhimavaram :

During 1991-92 the Corporation installed a weigh bridge at Bhimavaram at an expenditure of Rs. 7.48 lakhs. It was lying idle since September, 1995 due to meagre storage of commodities in the godown. Consequent to this, the Corporation ordered (May, 1996) its shifting to Kakinada Bonded warehouse which is yet to come up. Thus the expenditure of Rs. 7.48 lakhs incurred on the installation of the weigh Bridge remained largely unfruitful.

The Corporation in its explanatory notes stated that due to change of Government policy, the entire Rice procurement was handed over to FCI by deleting the Civil Supplies Corporation from procurement who was the main customer to the Corporation in utilising the godowns as well as the weigh bridge. In view of this, the Management has taken a decision to shift the lorry weigh bridge to Kakinada Port area, where it can be utilised properly.

The corporation stated that the weigh bridge was idle for about 5.6 years and now it is being used to some extent. It was also stated that the Corporation has got some land near Kakinada port and it is proposed to handover the land to Central Warehousing Corporation. *Hence, the weigh bridge has not been transferred to Kakinada.*

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